

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision  
STANDARD LEASE W/ OPTION v.3

## **PAID UP OIL AND GAS LEASE (No Surface Use)**

THIS LEASE AGREEMENT is made this 8th day of June, 2009, by and between **D. L. Hudgins, herein dealing in his sole and separate property,** whose address is **722 N. Main St., Fort Worth, TX 76164**, as Lessor, and **DALE PROPERTY SERVICES, L.L.C., 2100 Ross Avenue, Suite 1870 Dallas, Texas 75201**, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

**0.128 ACRES OF LAND, MORE OR LESS, BEING LOT 16, BLOCK 1, OUT OF THE F.M. CLARY ADDITION, AN ADDITION TO THE CITY OF FORT WORTH, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS IN THAT CERTAIN PLAT RECORDED IN VOLUME 1019, PAGE 399 OF THE PLAT RECORDS OF TARRANT COUNTY, TEXAS.**

in the county of TARRANT, State of TEXAS, containing 0.128 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of Three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Twenty Five Percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be Twenty Five Percent (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production there from is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production there from is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production there from is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production there from, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any pooling hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties

hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones there under, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of Two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

SEE ADDENDUM ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)

Signature: D.L. HUDGINS

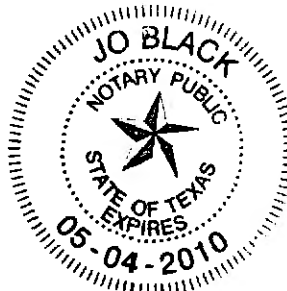
Printed Name: D.L. HUDGINS

**ACKNOWLEDGMENT**

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 24 day of June, 2009, by D.L. HUDGINS.

Jo Black  
Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:



## ADDENDUM

This Addendum is attached to that certain Paid Up Oil and Gas Lease between D.L. Hudgins, whose address is P.O. Box 6343, Fort Worth, Texas 76115, (referred to herein as "Lessor") Dale Property Services, L.L.C., a Texas limited liability company, as Lessee, Dated June 8<sup>th</sup>, 2009 ("Lease").

1. The terms and provision of the Addendum are hereby incorporated into the above referenced Lease as though set forth in said Lease at length. In the event of a conflict in the terms of this Addendum and the Lease, the terms and provisions of this Addendum shall prevail and govern the rights and obligations between the parties.

2. Language contained in the Lease to the contrary notwithstanding, the parties hereby agree as follows:

A. The lease covers and applies only to the land specifically described in metes and bound on Exhibit A attached to the lease. The lease does apply to strips and gores, after acquired property, or any other property not specifically described.

B. The Lease is only for and only covers oil, gas and other liquid or gaseous hydrocarbon.

C. The Lease does permit geophysical and/or geochemical surveys on the leased premises. Any consents for geophysical and/or geochemical surveys and consideration to be paid therefore must be negotiated between the parties at the time such survey is to be conducted.

D. It is agreed between the Lessor and Lessee, notwithstanding any language herein to the contrary, that all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which occur on an unaffiliated interstate or intrastate gas pipeline which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

E. Shut-in royalties shall be \$25.00 per net mineral acre. Lessee can only perpetuate the Lease for a period of two consecutive years, or three years cumulative by the payment of shut in royalties.

F. Lessee shall have the right to pool the Land with contiguous acreage to form pooled units for production of oil and gas or either of them. Notwithstanding anything contained in this Lease to the contrary, unless Lessor consents otherwise in writing, units pooled for oil shall not exceed forty (40) acres, units pooled for gas produced from a vertical well shall not exceed forty (40) acres, and units pooled for gas produced from a horizontal well shall not exceed 320 acres plus a 10% tolerance. Notwithstanding anything contained herein to the contrary, said pooled unit shall, in addition to any other lands that may be pooled, include all of the Land. Lessee shall file for record in the Real Property Records where the land is located, an instrument describing and designating the pooled acreage and depths for the pooled unit, and upon recordation, the unit shall become effective as to all parties hereto. Upon written request, Lessee shall provide a copy of the recorded unit designation to Lessor within thirty (30)

  
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days of filing. Lessee may at its election exercise its pooling option before or after commencing operations. Operations on or production of oil or gas from any part of a pooled unit that includes the Land shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. That part of the Land included in a pooled unit will be considered to be a Retained Tract, and the provisions of this Lease that provide for termination of the Lease insofar as the Lease covers depths above and below producing formations and other provisions relating to Retained Tracts shall apply to that portion of the Land, but not to the other lands included in the pooled unit. There shall be allocated to the Land included in the pooled unit that portion of the oil and gas, or either of them, produced from the pooled unit that the number of mineral acres of the Land included in the unit bears to the total number of mineral acres included in the pooled unit. Royalties shall be computed on the portion of production allocated to the Land. The Leased Premises cannot be removed from a producing unit or a unit on which operations are being conducted without the express prior written consent of Lessor.

G. The Lease covers the minerals interest only. No operations of any nature or character whatsoever may be conducted on the surface of the leased premises. Lessee hereby reserves the right to produce oil, gas and related minerals from under the leased premises by means of drilling directional or horizontal wells from surface locations situated on other lands to develop such minerals from beneath the surface of the leased premises.

H. Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended, but not in excess of two (2) consecutive years or for shorter periods from time to time not exceeding three (3) years in the aggregate, so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, riot, war, insurrection, strike, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons) and was not or could not have been reasonably anticipated by Lessee under the facts as regulatory environment existing at the time this lease was executed.

I. There shall be no preferential right to purchase any proffered top-lease. Paragraph 12 of the Lease is hereby struck from the lease and is of no further force and effect.

J. (a) Each obligation of Lessee (i) expressed herein, (ii) expressed in the addendum attached hereto and incorporated herein, and/or (iii) implied by law shall be deemed and construed to be a condition of this Lease as well as a covenant. In addition to other rights and remedies set out herein, Lessor is specifically entitled to the remedy of termination of this Lease in the event of Lessee's breach or default of and/or non-compliance with the terms and provisions hereof. Lessee shall not be deemed or held to be in breach or default or to have failed to comply with any obligation or condition, expressed or implied, until sixty (60) days after receipt by Lessee of written notice from Lessor, setting out specifically the nature of such breach, default and/or non-compliance. During such sixty (60) day period Lessee may comply or commence to comply with such obligation or covenant, and if such obligation or covenant is thereupon or thereafter diligently complied with, then Lessee shall be deemed to

  
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have fully complied with such obligation or covenant. Neither the service of written notice nor the doing of any acts by Lessee to correct the alleged failure of compliance shall be deemed an admission or presumption that Lessee has failed to comply with any obligation or covenant.

(b) The foregoing provisions regarding notice of noncompliance under this Lease (i) shall not apply to obligations in this Lease for which time limits for performance are separately stated, and/or the habendum clause set out in Paragraph 2 herein above, and (ii) shall not be construed as extending the time within which Lessee's obligations under this Lease must be performed.

K. Paragraph 14 of the Lease is struck, and is of no further force and effect. No well bore easement, as contemplated in paragraph 14 of the Lease is granted or implied.

L. Lessor makes no warrant of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties (including shut-in royalties) payable hereunder will be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of it.


M. Lessee has no right to pay any obligation of Lessor or otherwise intervene in any of Lessor's contractual relationships with outside third parties without Lessor prior written consent.

N. **Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE LAND OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

O. If Lessee shall have the title to the Leased Premises or any part thereof examined by an attorney, Lessee agrees to require the author of the opinion to address the opinion to Lessor and Lessee, and Lessee agrees to furnish Lessor with a copy of such attorney's title opinion and any curative documents and supplemental opinions within thirty (30) days after receipt of same. If Lessee causes an abstract of title or supplement thereto to be prepared, Lessor shall have the right to review and examine such abstracts on reasonable notice.

P. Lessee shall endeavor to keep noise levels associated with its operations to a reasonably low level, taking into consideration reasonably available equipment and technology in the oil and gas exploration and production industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites, and the fact

  
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that Lessee's operations are being conducted in or near an urban residential area. If Lessee utilizes any non-electric powered equipment in its operations, Lessee shall take reasonable steps to follow any and all city ordinance in regards to noise abatement.

Q. Lessee shall keep adequate books, records, and reports concerning oil and/or gas produced, sold, used, and vented/flared under this lease. Lessor shall have the right to audit, once per year at Lessee's place of business and after 30 days notice, the pertinent books and records of Lessee in order to determine the correctness of royalties paid and the reports and other information provided hereunder. Lessee shall keep open and available for inspection by Lessor all such books and records throughout the term of this lease and for a period of three (3) years following its expiration or termination.

R. Lessor and Lessee specifically acknowledge that the terms and provisions of this Lease were negotiated between the parties based upon common assumptions, and that neither party shall be deemed to have drafted this Lease. Should either party hereto, and/or any party claiming by or through any party to this Lease, and/or any party claiming to have an interest in this Lease contest the validity of any term and/or provision contained in this Lease, or should any term and/or provision of this Lease be declared to be invalid by a court of competent jurisdiction, then the non-contesting party, their heirs, successors, representatives and/or assigns may terminate the balance of the Lease. In the event of such an election to terminate, the entire Lease shall be null, void and have no further force and effect.

S. This Lease shall not become effective or bind either party hereto, or create a leasehold estate in the Leased Premises until it has been executed by both parties hereto. This Lease shall be executed in duplicate originals, each of which shall be deemed an authentic original of the Lease. Lessee shall provide Lessor with one fully executed original.

T. If any royalties that become due hereunder are not paid to Lessor in accordance with the Payment Statute (*hereinafter defined*), interest shall be payable to Lessor on the amount of such unpaid royalty at the interest rate provided in the Payment Statute, but in no event shall such interest rate exceed the maximum non-usurious rate of interest that may be lawfully agreed upon by parties to a written contract, accruing from said date until paid. In the event Lessor is not timely paid any royalty payments as become due to Lessor under the terms of this lease and Lessor shall institute a suit to collect such royalty payments, Lessor shall be entitled to recover in addition to the royalty payments then due and interest as herein provided, all reasonable attorneys' fees and costs incurred by Lessor to enforce the payment of royalties and interest of which Lessor may be entitled. Nothing in this paragraph is, however, intended to waive any rights and remedies to which Lessor and Lessee may be entitled pursuant to Texas Natural Resources Code Section 91.401, et. Seq., as such statute may be amended from time to time (*the "Payment Statute"*).

U. Upon expiration or termination of this Lease for any reason as to all or any portion of said Leased Premises, Lessee shall be obligated at its expense to promptly prepare, execute and within thirty (30) days of such expiration or termination, file in the public records in the county in which said land is located an appropriate release instrument covering all or such portion of said Leased Premises, and to promptly forward a copy of same as so recorded to Lessor. If Lessee fails to timely record and furnish to Lessor any aforesaid release or partial release, Lessor may give Lessee written demand that such release be filed and an aforesaid copy be furnished to Lessor, and if Lessee fails to do so within thirty (30) days after date of receipt of such written demand, then Lessor may execute and file for record such a release or partial release, which shall be binding upon Lessee, and this Lease shall be deemed terminated as to the land and/or depth

  
DLH,

  
Dale Property Services, L.L.C.

covered by such release. The provisions of this paragraph shall apply each time that a termination occurs.

  
\_\_\_\_\_  
DLH,

  
\_\_\_\_\_  
Dale Property Services, L.L.C.

ADDENDUM TO PAID UP OIL AND GAS LEASE



DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9

DALLAS TX 75201

Submitter: DALE RESOURCES LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 06/11/2009 09:30 AM

Instrument #: D209155336

LSE 8 PGS

\$40.00

By: \_\_\_\_\_



**D209155336**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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